

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2022 Neste Oyj Earnings Call

EVENT DATE/TIME: JULY 28, 2022 / 12:00PM GMT

CORPORATE PARTICIPANTS

Carl Nyberg *Neste Oyj - EVP of Renewables Platform*
Juha-Pekka Kekäläinen *Neste Oyj - VP of IR*
Markku Korvenranta *Neste Oyj - EVP of Oil Products Business Unit*
Martti Ala-Harkonen *Neste Oyj - CFO, Strategy and IT*
Matti Lehmus *Neste Oyj - President & CEO*
Panu Kopra *Neste Oyj - EVP of Marketing & Services*

CONFERENCE CALL PARTICIPANTS

Artem Beletski *SEB, Research Division - Analyst*
Erwan Kerouredan *RBC Capital Markets, Research Division - Assistant VP and Analyst*
Henry Michael Tarr *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*
Iiris Theman *Carnegie Investment Bank AB, Research Division - Financial Analyst*
Jason Daniel Gabelman *Cowen and Company, LLC, Research Division - Director & Analyst*
Joshua Eliot Dweck Stone *Barclays Bank PLC, Research Division - Analyst*
Katherine O'Sullivan *Citigroup Inc., Research Division - Analyst*
Matthew Robert Lovseth Blair *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*
Mehdi Ennebati *BofA Securities, Research Division - Director & Research Analyst*
Peter James Low *Redburn (Europe) Limited, Research Division - Research Analyst*
Raphaël DuBois *Societe Generale Cross Asset Research - Equity Analyst*
Zoe Clarke *Goldman Sachs Group, Inc., Research Division - Business Analyst*

PRESENTATION

Operator

Good afternoon. This is the conference operator. Welcome, and thank you for joining the Neste Corporation First Half 2022 Earnings Conference Call and Webcast. (Operator Instructions)

At this time, I would like to turn the conference over to Mr. Juha-Pekka Kekäläinen, Head of Investor Relations. Please go ahead, sir.

Juha-Pekka Kekäläinen *Neste Oyj - VP of IR*

Thank you, and good afternoon, ladies and gentlemen, and welcome to this conference call to discuss Neste's second quarter and half year '22 results published earlier today. I'm Juha-Pekka Kekäläinen, Head of Neste IR. And here with me on the call are President and CEO, Matti Lehmus; CFO, Martti Ala-Harkonen; and the Business Unit Heads: Carl Nyberg of Renewables Platform; Markku Korvenranta of Oil Products; and Panu Kopra of Marketing and Services.

We will be referring to the presentation that can be found on our website. And as always, please pay attention to the disclaimer since we will be making forward-looking statements in this call.

With these remarks, I would like to hand over to our President and CEO, Matti Lehmus to start with the presentation. Matti, please go ahead.

Matti Lehmus *Neste Oyj - President & CEO*

Thank you, JP, and a very good afternoon also on my behalf. It's great to have all you all participating in the call, which is my first in the role of President and CEO of Neste. I've been very pleased with my first 3 months in this new role and really continue to be impressed by the passion and energy of the people all across Neste. This is something very special. We are indeed living in unusual times, and the world around us has changed in many ways. Apart from the human distress, the war in Ukraine has had significant impacts on the international energy markets. Oil products and natural gas prices in Europe have been very volatile and exceptionally high. In this turbulent market environment, Neste's operational and financial performance was excellent in the second quarter. I want to thank the Neste personnel for the great efforts taken to enable this performance. Our company continues to be in great shape, and we are proceeding with our strategy to become a global leader in renewable and circular solutions. The need to combat climate change and to accelerate concrete actions to reduce CO2 emissions, both short and long term remains extremely urgent.

If I now move to Slide 4. I want to have a look at the second quarter in brief, and we had excellent financial performance in the exceptional market conditions of the second quarter. Our comparable EBITDA was EUR 1.085 billion, which is a new quarterly record. All of our businesses improved their comparable EBITDA compared to the first quarter and to the corresponding period last year. In the comparison, it is good to remember that in the second quarter of 2021, we implemented the major turnaround in Porvoo.

Our renewable products had an excellent performance in the second quarter, which was one of its best quarters ever. Our comparable sales margin averaged a record high \$865 per ton. This outstanding achievement was supported by the exceptionally strong diesel market. Our strong sales performance as well as more favorable feedstock prices than anticipated towards the end of the quarter. The demand for renewable products remained robust throughout the quarter, and our sales volumes were on a good level of 808,000 tons, supported also by high utilization rates at our production facilities. In feedstock sourcing, it's worth noting the growth of waste and residue share to 96%.

Oil Products, strong result was driven by the exceptionally high diesel and gasoline margins and our successful efforts to maintain high utilization at the Porvoo refinery, ensuring safe and reliable operations while implementing all the changes related to crude slate and natural gas replacement was an excellent achievement by the team. The last deliveries of Russian crude oil have now been received, and most of the natural gas has been replaced with propane and other alternatives. At the same time, utility costs remain very high. Also, our Marketing & Services segment performed very well in the second quarter. Our unit margins were again supported by inventory gains driven by the increase in oil prices. Overall, I'm very pleased with our efforts to ensure high reliability across our global operations. Our people have done really a great job in adapting very quickly to all the changes in the business environment.

Then a quick look at our financial targets. Our financial position remains solid. We reached an after-tax ROACE of 24.6% on a rolling 12-month basis, while our target is 15%. At the end of June, our leverage ratio was 15.5%, well within the targeted area of below 40%. This solid financial position enables the implementation of our growth strategy going forward. With these remarks, I'll hand over to Martti to discuss the financials in more detail, please.

Martti Ala-Harkonen Neste Oyj - CFO, Strategy and IT

Thank you, Matti. The second quarter was indeed performed under exceptionally turbulent market conditions. So let's now have a closer look into the group figures.

Neste delivered another record high quarterly revenue in the second quarter. Our second quarter revenue exceeded EUR 7 billion, which increased by about EUR 4 billion or 133% compared to the previous year of about EUR 3 billion. The revenue growth for its own part, in my view, describes the exceptional market situation of the second quarter. The revenue growth resulted from overall higher market and sales prices, which had a positive impact of approximately EUR 1.4 billion and higher sales volumes, which had a positive impact of approximately EUR 2.4 billion. It should yet be noted like Matti said, that in the corresponding period last year, our oil products sales volumes were negatively impacted by the Porvoo refinery major turnaround.

Additionally, a stronger U.S. dollar had a positive impact of approximately EUR 200 million on the revenue side compared to the same period last year. Like Matti already mentioned, we posted an excellent comparable EBITDA of EUR 1.085 billion. This is 188%, up from the second quarter last year and also 88% up from the first quarter this year. This is also an all-time high and a new quarterly record for Neste. Both renewable products and oil products performed strongly, each contributing over EUR 500 million to the group's total comparable EBITDA. And also Marketing & Services, like Matti mentioned, had a strong performance in the quarter.

We can be overall extremely satisfied with our smooth operational performance which together with our sales performance and successful margin management has enabled us to capture the high market margins. We have had excellent safety, operational reliability and high production operating rates at a time when margins are strong and while markets being highly volatile.

Then turning to free cash flow. Our free cash flow was slightly negative in the second quarter as it continued to be impacted by a significant increase in net working capital. The change in net working capital was about EUR 1 billion negative in the second quarter, mainly as a result of higher inventories and overall higher sales volumes and prices. The inventory growth is by far the main reason of the working capital components behind the net working capital growth. And then also the impact of higher prices has been, by far, the main

reason, an issue, actually, we cannot really affect. At the same time, it has also been a strategic decision for Neste to keep its inventory volume levels high in order to ensure business continuity in the exceptional market conditions as an example, securing our new crude oil deliveries to replace Russian crude and the upcoming scheduled maintenance activities at our Singapore Rotterdam refineries on the renewable product side. And then, of course, the significantly higher sales volumes and prices have, in turn, impacted our receivables.

Our comparable earnings per share, which is the basis for our dividend policy, as you certainly remember, was \$0.96 per share in the second quarter or EUR 1.41 cumulatively in the first half year. That reflects our strong delivery compared to, for example, the full year figure of EUR 1.54 last year.

If you then on the next slide, look at the simple second quarter comparison bridged by business, we can see that all our businesses again improved their performance year-on-year. Most of the improvement, EUR 521 million came from oil products and almost EUR 200 million from renewable products. Of note is particularly the significant increase in oil products year-on-year. As we stated in our updated outlook on 14th of June, the Northwest European gasoline and diesel margins had increased to exceptionally high levels. In addition, our successful mitigation actions to replace Russian crude oil and natural gas enabled us to retain high utilization rates, like I said, at our Porvoo refinery. But at the same time, we are very proud of the performance achieved at the Renewables Products and Marketing & Services businesses.

Then turning to the next page. Looking at the same comparison bridged by profit driver, we know that sales margin contributed EUR 545 million to the performance improvement. On the renewables products side, we achieved an excellent sales margin, which is a new quarterly record, while Oil Products margins were driven by exceptionally high diesel and gasoline margins during the quarter. At the same time, higher sales volumes also contributed well, improving our comparable EBITDA by EUR 126 million, while a stronger U.S. dollar by EUR 92 million. Our fixed costs were EUR 25 million higher than in the second quarter of last year, mainly due to preparing growth in the renewables business.

Then moving to the next page. When we look at the first half of the year, bridge by driver, it's pretty much the same story. We have more than doubled the cumulative comparable EBITDA from EUR 806 million last year to EUR 1.663 billion in the first 6 months of this year. Sales margin, foreign exchanges and sales volumes were driving the improvement and most of that originated from the second quarter.

Now to summarize, all in all, we are very pleased with both our financial performance as well as operational performance in the second quarter as well as in the first half of the year. At the same time, we have made significant progress the execution of our growth strategy.

And with these remarks, I'll hand over to Carl to discuss more closely our Renewable Products performance.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Thank you very much, Martti.

And as has been said here in this call, we had an excellent quarter in renewable products reaching a comparable [EBITDA] (corrected by company after the call) of EUR 538 million. We reached record comparable sales margin reaching \$865 per metric ton of \$59 per metric ton from Q1, which -- where we already posted very strong margins. Demand remained robust over the quarter, and sales volumes were reached 808 kilotons with approximately 70% of the sales going to European buyers on the back of strong European margins. Our strategy to move towards waste and residue continued, and we reached 96% share of waste and residue in our feedstock mix. Investments in Q1 were EUR 203 million, underlying our continued strategic growth and our comparable return on net assets will remain above 30%.

If you move then to the bridge, describing the results a bit more in detail. So the largest impact on the EBITDA for Q2 '22 compared to Q1 came from the stronger sales margin, which increased, as said, by \$59 per metric ton quarter-on-quarter. This was on the back of strong sales performance as well as on higher diesel prices, which outpaced the increasing feedstock prices. Volume increased as well in the quarter, reaching above 800 kilotons, increasing the EBITDA by EUR 50 million year-on-year. The FX changes had a positive impact on the result as well while fixed costs continued to increase as we continue to build our organization. Let's then move to the feedstock market. The feedstock markets remain tight and volatile over the quarter. While vegetable oil fundamentals weakened towards the end

of the quarter, and waste and residue also slowly following the vegetable oil trends. The fundamentals of the vegetable oil markets remain uncertain and very much dependent on geopolitical weather and other geopolitical issues. Waste and residue has -- demand has remained strong, while softening slightly on the following the vegetable oil prices.

And perhaps we then move over to the next slide and looking at the U.S. market. So California LCFS prices continue to come down during the quarter on the back of the credit bank continuing to build. We have seen lower petroleum demand in the quarter as well as higher credit generation coming from or to renewable diesel as well as electricity and biomethane setting the sentiment of the market lower. RINs remain strong on the back of higher-than-expected RVO demand and driving a stronger sentiment and driving also a rather healthy SME margins with current RIN values.

If you then look at the margin more closely. So as mentioned, the strong ULSD market as well as our strong sales performance did outpace the increase in feedstock prices in the quarter, driving a stronger comparable sales margin in the quarter and reaching \$865 for metric ton. The high utilization rate based on a safe and reliable operation was also contributing to a stronger margin as we reach that utilization rate of 103%. Furthermore, we managed to optimize our utilization cost during the quarter, well despite increasing utility costs. Our sales of Neste MY reached slightly lower volumes at 24% in the quarter.

And that concludes the renewable products part, and I hand over to Markku for the oil product parts.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

Thank you, Carl. So at Oil Products, we had a very strong quarter in a tight refining market. The comparable EBITDA was EUR 529 million compared to EUR 8 million the year before and EUR 137 million in Q1 this year. And again, note that in Q2 last year, we had a major site turnaround in Porvoo comparables to last year, partially not very relevant. Sales volume was at 2.8 million tons, up from 1.2 million tons the year before and 2.6 million tons Q1 this year. The total refining margin improved dramatically to USD 30 per barrel, up from USD 20 per barrel compared to both Q2 last year and Q1 this year. The average Ural share of the feed was [12%] (corrected by company after the call) in Q2 2022, reflecting our decision to stop making new contracts for Russian origin feedstocks. The last crude cargo, as Matti was saying, was delivered to Porvoo middle of this month, so the share will drop to 0 as we consume the inventory. Comparable return on net asset increased from minus 1.3% to 25% over prior 12 compared to the previous 12-month period.

Let's move over to the next slide. And this is the slide explaining the work explaining the drivers of the profit. Nearly 90% of the improvement compared to the first quarter of 2021 comes from the total refining margin. The rest is due to increased sales volume and fixed costs.

Next slide. The disruption caused by the war in Ukraine continue to drive prices and volatility of both diesel and gasoline up. Diesel margin was peaking at close to USD 70 per barrel before sharp correction during the last days of June. The gasoline followed a similar pattern. Heavy fuel oil margin was weak throughout the quarter, reaching the lows at the end of June.

Last slide. After a stable USD 10 per barrel refining margin over the last 4 quarters, the margins were up to USD 30 per barrel in Q2 '22. The average refinery utilization rate was 89% compared to 92% during the first quarter of this year. Refinery production costs were USD 6.8 per barrel compared to USD 7.5 per barrel in the previous quarter of this year.

And with that, I complete the -- conclude the oil products for the presentation and hand over to Panu for Marketing & Services.

Panu Kopra Neste Oyj - EVP of Marketing & Services

Thank you, Markku.

Hello, all. This is Panu Kopra speaking. Solid financial performance continued in Marketing & Services in Q2, EUR 35 million EBITDA is our best ever results in second quarter. Return on net assets increased up to 42%, which is indeed very healthy level in retail business. Our market shares developed very well in Finland and moderately in Baltic countries as well. However, gasoline demand has been decreasing in May and June due to high pump prices, especially consumer segment has suffered in all our markets. (inaudible) volumes almost doubled compared to last year in Finland. Bunker volumes continued healthy development as well. We have expanded Neste MY

availability at station network in Finland during last year. And this year, we expanded in Baltics as well.

We have invested this year for marketing of Neste MY and I'm happy that volumes have increased over 45% compared to last year. We are widening our sustainable solutions offering for our B2B customers in Finland and launching of new EV charging service is an important milestone for us. We have piloted EV charging service together with our B2B customers and feedback from first weeks is very promising.

This was shortly about Q2 in Marketing & Services. Handing over back to Matti.

Matti Lehmus *Neste Oyj* - President & CEO

Thank you. Let's now move on to the current topics.

First, a few words on our strategy execution during the second quarter as I'm very pleased that we continue to make good progress in several important areas. As announced in late June, we have made the final investment decision on the Rotterdam renewable products capacity expansion. This is a major milestone and an important enabler that supports continued business growth. The expansion will have a total capacity of 1.3 million tons a year, of which up to 700,000 tons can be produced at Sustainable Aviation Fuel. The flexibility in both feedstocks and products has been a core strategic driver of this project.

The CapEx for the project is estimated to be approximately EUR 1.9 billion with a higher CapEx compared to the Singapore expansion, reflecting the inflation since end 2018 and the higher overall cost environment in Europe. The production is scheduled to start up during the first half of 2026. The Singapore renewables capacity expansion project continues to be on schedule for start-up by the end of the first quarter 2023. Also, the announced production joint venture with Marathon in Martinez, California is proceeding, and we expect closing of the deal to take place within the next few months.

Two other highlights I want to make. Firstly, the Renewable Aviation and Renewable Polymers & Chemicals businesses continue making new market openings, sales agreements and partnerships. This is an important basis as both businesses are expected to grow significantly during this decade. I also want to highlight the continued focus on strengthening our global waste and residue sourcing platform. As part of this strategy, I'm very pleased that we were able to announce earlier this week that we have acquired -- agreed to acquire Walco Foods in Ireland, thereby strengthening our European animal fat sourcing capabilities. These are just a few examples of strategy execution that make us closer to becoming a global leader in renewable and circular solutions.

Now moving to the outlook. As outlook for the third quarter, we see the following: in Renewable Products, the sales volumes are expected to be slightly lower than in the previous quarter. The waste and residue markets are anticipated to remain tight. Our renewable sales margin is expected to be within the range of \$775 to \$850 per ton. Utilization rates of our renewable production facilities are forecasted to remain high except for the scheduled 6-week maintenance turnaround at the Singapore refinery. The negative result impact of the turnaround is currently estimated to be approximately EUR 90 million on the segment's comparable EBITDA. Due to our mitigation actions via inventories, the sales volume and EBITDA impacts are spread over a period of several quarters.

Oil Products market is seem to be volatile and impacted by the war in Ukraine. Based on the current forward markets, oil product margins are expected to come down from the levels seen in the second quarter. Our third quarter total refining margin is expected to remain solid, but lower than in the second quarter. Sales volumes are forecasted to be at about the same levels seen in the previous quarter. And in Marketing & Services, the sales volumes and unit margins are expected to follow the previous year's seasonality pattern. The high price levels are expected to have some negative impact on demand, particularly in the consumer segment.

We continue to execute our strategy and invest in our business. Our cash out capital expenditure is estimated to be approximately EUR 1.9 billion in 2022 including approximately EUR 800 million for the Marathon joint venture that is still subject to closing. Other possible M&A is excluded from this figure. As announced earlier, we have a scheduled 7-week turnaround at the Rotterdam refinery in the fourth quarter. The negative impact of the turnaround is currently estimated to be approximately EUR 100 million on the segment's comparable

EBITDA.

This concludes the presentation, and we would now be happy to take your questions. Please, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Josh Stone with Barclays.

Joshua Eliot Dweck Stone *Barclays Bank PLC, Research Division - Analyst*

Congratulations on great set of numbers. Two questions, please. Firstly, on the renewables business and the very high margin you're printing. In particular, I missed the revenue result was very, very strong. implied pricing very high and that price increase is up more than the diesel price went up. So is that the right observation to make? And secondly, where are these price premiums coming from? Because as you described, RIN and LCFS prices are down in the U.S. and as far as that's where your prices are mainly fixed in Europe. So how are you able to achieve these higher price premiums would be my first question?

And then secondly, as you're staying on the same subject, just thinking about hedges, can you just remind us where the hedging sales ratio is? And if I look at my screen that the Porvoo spread has inverted, so all else equal, would imply some fairly significant hedging losses. So maybe if you can just walk us through the impact of hedges.

Matti Lehmus *Neste Oyj - President & CEO*

Yes. Thank you, Josh. Indeed, the average sales price did increase in the second quarter. Carl, please you can comment on the 2 questions.

Carl Nyberg *Neste Oyj - EVP of Renewables Platform*

Thanks, Matti. Thank you, Josh, for the good question. So first of all, indeed, the ULSD did contribute to a very significant part to the high sales prices. In addition to that, of course, also our sales optimization was very strong and have further contributed to the strong sales prices in the quarter. Then if you look at the hedging, so our current hedging is roughly 60% for the third quarter. It was a bit above 60% here in the second quarter. The Porvoo hedges, we did occur a slight loss on them for the second quarter. And the outlook is also that we would have certain loss on the hedges for the third quarter. And this is taken into account in our margin guidance for the future.

Joshua Eliot Dweck Stone *Barclays Bank PLC, Research Division - Analyst*

Actually, are you able to give any sort of numbers around the sort of size and a loss from the hedges into the guidance?

Carl Nyberg *Neste Oyj - EVP of Renewables Platform*

Unfortunately, we're not able to give any such guidance for -- but the losses for quarter 3 will be slightly higher than the losses we had in Q2.

Operator

The next question is from Mehdi Ennebati from Bank of America.

Mehdi Ennebati *BofA Securities, Research Division - Director & Research Analyst*

Congratulations to you, Matti for your new position and congratulations to the whole group of Neste for these extremely strong results. So 2 questions, please, on my side. First one regarding the maintenance that is scheduled at Porvoo. Can you explain us or tell us why you are doing such relatively long maintenance at Porvoo refinery. I was wondering myself if there is a link between the fact that you are using now propane as a feedstock and might have changed a little bit, let's say, that you might increase or shorten the cycle of maintenance at Porvoo because of propane, just would like to understand there was enough such a high maintenance, such a long maintenance.

And second question is related to the feedstock costs. So on your slide, you show that the feedstock costs are declining. And it seems that it keeps declining since beginning of July quite significantly. I wanted to know why do you think the feedstock costs are falling that

much. And would you say that this negative trend could continue for quite a while now that the world is the going down the [GDP] growth. And finally, if I may, there was a deal voted in the U.S. Green Deal at voted in the U.S. yesterday. Do you see some positives or some negatives for (inaudible)?

Matti Lehmus Neste Oyj - President & CEO

Thank you, Mehdi, and Markku will start with a question on the unit turnarounds in Oil products, please, Markku.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

Thank you, Matti. Thanks for the questions. So you referred to the production line 4 scheduled turnaround in September and October. So this has been planned since a long time. It has nothing to do with the use of propane. Our hydrogen machine is part of that line and part of the turnaround that is independent of the propane user. And for the reference, the scheduled duration for the turnaround is 40 days.

Matti Lehmus Neste Oyj - President & CEO

Good. Yes, second question was a bit more detail on the feedstock price trends and waste and residues. Please Carl.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Thanks, Mehdi, for the question. So indeed, I mean, we have seen a very strong decline in the vegetable oil prices here, starting already in the second quarter and continuing in the third quarter. As we know, the waste and residues are not fully following the beta prices, but there is a link and typically a bit of a delay. And we have been seeing that the waste and residue prices have been coming off as well since the beginning of the third quarter and actually already a little bit in the end of the second quarter. Having said that, we still see that the market remains strong. The demand remains very robust, and we believe that will be the case also going forward. But certainly, they have been easing a little bit here over the past month.

Matti Lehmus Neste Oyj - President & CEO

And perhaps I'll take the third question, Mehdi. This is Matti. You were asking on the very recent regulatory developments in North America. I believe you are alluding to the U.S. budget reconciliation bill that was in the news yesterday. It is a proposal called now the Inflation Reduction Act. Our understanding is the proposal includes an extension of the BTC through 2024. It would also include a new SAF BTC through 2024. And then after 2024, there is a proposal for clean fuels production credits for local producers. So basically, it's a proposal at the moment, we are, of course, following also with great interest whether this will be confirmed and also about learning more details.

Mehdi Ennebati BofA Securities, Research Division - Director & Research Analyst

Okay. When you say green fuel production credit for local producers, something which will replace the BTC. This is what you mean?

Matti Lehmus Neste Oyj - President & CEO

Like I said, this is high level, what we have understood at the moment. We are also looking forward to receiving more details.

Operator

The next question is from Erwan Kerouredan with RBC.

Erwan Kerouredan RBC Capital Markets, Research Division - Assistant VP and Analyst

Congratulations on a very, very strong set of results. I've got a question on cash and then another question on feedstock. So on cash, the incremental details you provided on inventory build-out. I guess the key question is, how should we think about the second half of this year? And should we see similar kind of working capital trajectory? This is my first question.

And then I got a question on feedstock. So we're nearing the point where palm oil becomes basically 0% of your feedstock. I was just wondering if you if you plan on giving a split between animal fats and used cooking oil in your reporting for the next set of results. And for this quarter, can we assume that animal fats and used cooking all represent roughly the same share of your waste and residue feedstock. These are my 2 questions.

Matti Lehmus Neste Oyj - President & CEO

Let's start with the cash question, Martti, please.

Martti Ala-Harkonen Neste Oyj - CFO, Strategy and IT

Okay. Thank you for the excellent questions. So maybe still on the second quarter impact first. So where we had a negative impact of EUR 1 billion in the net working capital roughly EUR 700 million of that came from inventories, and they are the main component of that EUR 500 million came from prices. So looking forward and also price, like I mentioned, the main component on the receivables side. So looking forward, of course, we don't know about the price development. There are perhaps some anticipation, some of the forward curves, for instance, for crude oil, they are backwardated. So there are anticipation that prices might be somewhat lower towards the end of the year, but that we don't know for sure. But there is one issue that we're going to take actions upon, and that is looking into the inventory volume levels.

Now when I look back into the second quarter, it was an exceptional quarter where we really wanted to secure our production running extremely well because of the many changes in the landscape. And now we have entered a bit more stable situation with new suppliers, et cetera, so we can start optimizing on that. How much we can do that remains to be seen, but we have plans on that. So our overall target would be that we could reduce the negative impact on the negative 2.3 combined in the first half of the year. But looking at the total estimate at the moment, it's quite probably we will have some sort of minor still for the full year, and it's coming mainly from the pricing components anyway. But the inventory volumes is the main effect we're going to work upon. So if we can release the impact on our cash flow naturally would be positive, more positive.

Matti Lehmus Neste Oyj - President & CEO

Thank you, Martti. And I can perhaps take the question on the reporting of feedstocks in the renewables segment. We have and we continue not to report detailed breakdown of our feedstock mix. However, what we have said earlier is what continues to be valid that the 3 largest categories of feedstock are, first of all, animal fats, secondarily, used cooking oil and then thirdly, residues of vegetable oil processing. And this continues to be true. And we, of course, are very proud that we have been able to increase that share of waste and residues to 96%, and we continue at the same time optimizing that the mix going forward.

Operator

The next question is from Artem Beletski with SEB.

Artem Beletski SEB, Research Division - Analyst

And also congratulations from my side on the record numbers in second quarter. I would like to ask actually 2 questions. So the first one is actually relating to Rotterdam final investment decision. Could you maybe talk about CapEx split for upcoming years and also confirm that it also includes some say, pretreatment investments within this EUR 1.9 billion. It may be just relating to it could you say that the CapEx spend is basically locked or not, given the fact that it's likely to happen that inflationary pressure could be easing in coming years and so on. So what you can impact actually your CapEx for the project?

And the second question is relating to oil product and shift to propane and other sources, I think in Q1, you mentioned that it could be margin accretive has it been really the case. And now as we are experiencing so renewed surges in gas prices, are you basically having no exposure to, so say, high gas cost at the moment?

Matti Lehmus Neste Oyj - President & CEO

Yes. Thanks, Artem. I can take the first question on the Rotterdam FID. And in general, I would say these type of investments, if you think of that CapEx curves, they tend to follow a kind of S curve, and that is also the case here. I don't have the exact split here, but that is how it typically goes. And indeed, like you asked in your question, if you look at this, what the whole investment covers, it does also cover pretreatment. We are, of course, taking advantage of pretreatment that is already in place through the acquisition of the Bunge refinery earlier, but we are also including additional pretreatment capacity. So that is included in the CapEx numbers. And in terms of how the inflationary pressures will follow the CapEx, I think we have done a very thorough work in having a very robust CapEx estimate. And we

obviously will continue as well as we can to see if there is any opportunities to optimize during the project, but we continue to see that CapEx of EUR 1.9 billion being our best view of the CapEx. Then there was a question on the value of the propane versus natural gas, Markku.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

So rather than sort of giving a value difference as such, everybody can see a propane values versus TTF. What we have done is that during the course of second quarter, we have phased out the majority of our natural gas used and replace it with propane. And this will continue such that when we reach first second quarter next year, we would have created a capability to replace the entire natural gas use. Of course, the choice then depends on availability and the price differential. But you're right, today's market situation with crude at about 100 and TGF about 170, 180 price is quite favorable for us to use propane.

Artem Beletski SEB, Research Division - Analyst

And maybe just like a quick clarification on this topic. So is it so that you are still basically using some natural gas. So it's just like a lower portion and that completely will be removed by next year.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

That's exactly true. So we have 2 hydrogen units in Porvoo, and the bigger one is operating mostly on propane and then the smaller one is still using natural gas.

Operator

Next question is from Peter Low with Redburn.

Peter James Low Redburn (Europe) Limited, Research Division - Research Analyst

So the first was just an observation that your realized pricing in renewable products is now extremely high, especially when you convert it to dollar per barrel terms. I was wondering is a level at which you think demand will be negatively impacted? Or does the regulatory nature of demand means that you still retain additional pricing power here? And then the second question was just on the Marathon JV. Can you remind us when you expect capacity to start up under that joint venture? And then what the phasing of that ramp-up might look like?

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Thank you very much for those questions. I can answer them. So first of all, on the demand impact, I would say that it will be a question of supply-demand that is steering the prices of the -- already in the market. We have so far not seen any impacts on the prices directly impacting our demand. But of course, we are in a very high price environment overall in the petroleum complex, and we remain following this. But for the time being, we are not seeing any such movements.

Matti Lehmus Neste Oyj - President & CEO

And perhaps I can just add the obvious -- obviously, there is a link to the oil side diesel demand in many regions. So obviously, that's something we're closely following whether general fuel demand is being affected by the high prices, so that impact, of course, is there. And then with regards to the Marathon JV, so we -- there -- the plan is to have a start-up towards the end of this year. And basically, that would then mean that we would have first production volumes reaching the market in the beginning of next year. So that's the current timeline.

Peter James Low Redburn (Europe) Limited, Research Division - Research Analyst

And can you just clarify, will that be the full capacity of that project? Or will that kind of be kind of cumulative units starting up, how will it work?

Carl Nyberg Neste Oyj - EVP of Renewables Platform

So that is the completion of the first phase of the project. So it will come in steps. And the full capacity is then expected to be online towards the end of 2023, actually.

Operator

The next question is from Matthew Blair with TPH.

Matthew Robert Lovseth Blair Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research

Oil Products ran 12% euros. Could you talk about the realized pricing on those barrels? Did you realize those headline \$25, \$30 per barrel discount. Could you also talk about your outlook for the California LCFS program and whether you think pricing might improve just given some recent statements from CARB that they're looking to tighten up the program? And then finally, could you walk through a little bit more the FID on Rotterdam capital cost is pretty high relative to say, even at the NPC JV, does that just come from increased SAF flexibility? Or what's driving that high capital cost per gallon?

Matti Lehmus Neste Oyj - President & CEO

Yes. Thanks, Matthew. I think Markku can answer the first question on the 12%.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

Yes. Okay. So rather than going into the details of the pricing of our feedstock contracts, I would rather highlight that early on in March, we made a decision to phase out Russian crude oil and the last cargo arrived middle of July. And from now on, will be from our purchasing pattern fully non-Russian and the use of it will decline to zero as we consume that from the inventory. The last -- since I think already since May, we've been bringing in one cargo per month.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Very good. Can I take the answer.

Matti Lehmus Neste Oyj - President & CEO

Yes, please, Carl, you can answer on the longer-term outlook for the LCFS program.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Yes. So the LCFS price has decreased approximately \$80 per metric ton in June, but has now recovered and is around \$90 to \$95 per metric ton. Over time, it's a fundamental supply demand that will steer the LCFS credit program. It's a transparent program, of course, in the way that it's a clear trajectory in what direction this -- the credit targets are going. And as you mentioned, there might -- there has been talks about whether there should be some changes made to this market. And that might be also the background why the market now has recovered slightly, but it's -- the fundamentals remain a key driver and the supply and demand of these different solutions that produce emissions in California, we will steer the values there.

Matti Lehmus Neste Oyj - President & CEO

Thank you, Carl. And perhaps just adding at the same time, my understanding is there is a discussion ongoing whether this situation also enables the higher ambitions in the future. So it's something we are, of course, following with interest. I can perhaps take the question on the Rotterdam FID and still on the higher CapEx compared to some other projects. So I think your observation is correct that comparing to some other projects the per ton CapEx is higher. Perhaps important to understand here is sort of the philosophy we have behind this Rotterdam investment, there is a couple of very important strategic features that we are investing in. One is that we are maximizing the feedstock flexibility. So referring to the earlier question, we are indeed making sure that both from a logistics but also from a pretreatment capability, all the newest technology solutions that we have are being incorporated. We feel this is important for the future.

And in a very similar way, we are also, as you could hear that it includes, for example, for Sustainable Aviation Fuel that capability to produce up to 700,000 tons of SAF. We are also very clearly investing in that flexibility on the product side. Again, it's, of course, about the production itself, but it's very much also about the logistics capability to do that. And perhaps the third item, I would say, we are also in a way, investing in ensuring we have streams available even though they are smaller that can support the renewable polymers and chemicals business and maximizing energy efficiency in all ways. So in that sense, it is a conscious choice that we want to invest in this flexibility in that approach.

Operator

The next question is from Iiris Theman with Carnegie.

Iiris Theman Carnegie Investment Bank AB, Research Division - Financial Analyst

So first one, do you expect or have you already seen any impact from biofuel mandate cut in Finland? And if there are more mandate cuts in Europe, what kind of impact it could have on your demand? And secondly, your high end of the sales margin guidance for it is below your Q2 sales margin, even though waste feedstock prices have started to decrease. So what kind of headwinds do you expect quarter-over-quarter. And then thirdly, regarding your JV in the U.S., so what is the feedstock going to be in late or, let's say, next year? And or how much is the share of vegetable oils and how much is waste. And when we could start to see an improving feedstock mix, i.e., more waste-based feedstock?

Matti Lehmus Neste Oyj - President & CEO

I can take the first question and then also hand it over to Carl. There was this question on the temporary biofuel mandate impacts. And indeed, of course, if you take the example of Finland, where the decision was taken to temporarily reduce the bio mandate this year and next year, it obviously has an impact on the demand. At the same time, as the global demand has continued to be robust, we have, of course, also very proactively then started to plan the reallocation of the volumes. Of course, there have been a few countries who have had similar decisions. My understanding, for example, Latvia, Slovenia, we are, of course, following the political debate, whether there could be more temporary relaxations because of the high energy prices. What is perhaps important to note at the same time, and I take the example of the Finnish decision, it was also emphasized that the commitment to the long-term targets remains very strong.

And actually, there is also a debate whether then towards the end of the decade, that growth of the mandate could be accelerated so that the climate impact is, again, being taken into account. So I think that's also a very important message that this long-term commitment to the mandates remains extremely strong in spite of some of these temporary measures taken. On the sales margin, that's my high level comment. I'll let you Carl comment on it. Yes, obviously, it's something that the feedstock prices have a big impact. But it's, of course, good to note, there are also other drivers. So for example, diesel prices is also an important driver. And if we combine all these different drivers, the guidance we have given for the third quarter, which is indeed lower than what we were able to achieve in the exceptional second quarter that's sort of the combination of all these different drivers. At the same time, we also highlighted the volatility has been exceptional. So it is, of course, something that we will also keep monitoring very close.

But Carl, any additions and then you can take the U.S. question.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

No, indeed, I very much agree with and to build on that. I mean these are very volatile markets now, and we have seen a very strong diesel market that was supporting us strongly here in the second quarter. That is now -- has now been slightly weakening and is, of course, back integrated towards the end of the year. So this is the current outlook that we have for the margin.

With regards to the JV production volume, indeed, we will be using mostly soybean oil during the first phase before we have the pretreatment capabilities to utilize also waste and residues. So that will be the main feedstock used in the first phases. However, during the coming year, there will be free capabilities added and eventually, waste and residue will also be an important part of our feedstock pool in the joint venture production unit.

Operator

The next question is from Raphaël DuBois from Societe Generale.

Raphaël DuBois Societe Generale Cross Asset Research - Equity Analyst

Congrats also for very strong set of results. Two questions, please. The first one is on your sales margin in Q2, which was way above what we were expecting, \$100 per ton higher. I understand you won't disclose within waste and residue, what is animal fat, used cooking oil or other residues. Can you at least say how volatile is a split within this waste and residue bucket and especially in Q2 did you change it in a way that could explain also partly why you surprised so much in terms of sales margin. And still on the sales margin, you mentioned earlier, sales optimization that helped for achieving those sales margins. Can you maybe quantify a little bit and maybe give us an

example of what sales optimization actually means? Is this that there are some buyers out there well spirited for products that you can sell at much higher price than usual. That would be very helpful.

And my second question is related to the acquisition you announced earlier this week. Can we have an update with this acquisition in on the level of back integration that you have for waste and residue compared to what you need today, and what you will need with the strong growth that you have ahead of you?

Matti Lehmus *Neste Oyj - President & CEO*

Thank you for the questions. And Carl, I think you can give some more comments to the Q2 sales margin, please.

Carl Nyberg *Neste Oyj - EVP of Renewables Platform*

Yes. So I would say that the sales margin in Q2 also surprised or slightly on the upside as the feedstock market started to come off towards the end of the quarter more than we had anticipated. And I think that this is a key element here on the higher margin. And then, of course, the very, very strong ULSD that -- which we already have been commenting. Then with regards to the sales optimization, I would describe it so that we, of course, do an end-to-end optimization and as we look at this on a global basis. So it's much more about the feedstocks and about the different markets, and how do we -- how we optimize between the different markets between the different feedstocks that is then driving the value creation that we are able to drive in the sales optimization. So I would describe it more around that than specific customer group. So we are looking at different markets and different feedstocks and then optimizing the whole chain across that.

Matti Lehmus *Neste Oyj - President & CEO*

Thanks, Carl. And just adding on the margin, I mean, it's good to note a big picture that feedstocks waste and residues did still increase on average close to 10% in the second quarter. So we have quite a steep increase during most of the quarter. And then it's really the strength of the diesel that helped that exceptional margin. If I can briefly comment perhaps on this question around the acquisition of Walco and the level of integration, perhaps putting it indeed in the big picture. As we have discussed also in these calls, our waste and residue feedstock strategy, we are indeed looking for opportunities not only to grow geographically, but also to move upstream in the value chain.

And there have been very different ways. We have examples where it's really moving all the way to the source, you could say like we had with the acquisition of Mahoney going into used cooking oil collection in the United States some years ago. But then we have also these examples where also the Walco acquisition fits in where it's really about trading aggregation capability. And here, indeed, we had earlier in the U.S., we announced the acquisition of Agri Trading. And now we have also here in Ireland announced this agreement to acquire Walco, which indeed is a very strong trader in Ireland for animal fat in particular.

The third element in this strategy is of moving upstream is also it can be about logistics. You will remember from the past that we have also, for example, in Europe in Holland acquired terminals that we consider particularly important for our aggregation. So because it's so different things. It's a bit hard to put any numbers around this part. But, in a way, strategically, we are, of course, working hard to make sure that as large part as possible of our supply would be also something where we have security access longer term.

Operator

The next question is from Kate O'Sullivan with Citi.

Katherine O'Sullivan *Citigroup Inc., Research Division - Analyst*

So firstly, just a follow-up on the Marathon JV questions. Do you expect to see any impact on timeline or otherwise related to environmental organizations in California, the challenging conversion of refineries. And on that project's pretreatment capacity, any further comments you have on the regulatory approval process, specifically for the pretreatment facility. Is that ongoing? Secondly, apologies if I missed, are you able to give any indication on current renewable product sales margin in relation to the guidance range given the diesel prices and feedstock prices are weakening.

Matti Lehmus *Neste Oyj* - President & CEO

Yes. That's a high-level comment first, and I'll let Carl then comment on the Marathon joint venture. So indeed, like we said in our outlook, we -- the closing is still pending. We are expecting that to happen in the next months. And it's, of course, indeed, the process, the time it takes to go through all these regulatory processes. It's, of course, always something where we cannot predict the timeline. We are following it as closely as possible and, of course, supporting if there are any questions. But it has, from our perspective, proceeded in a way according to the normal procedure.

Carl, any additional comments?

Carl Nyberg *Neste Oyj* - EVP of Renewables Platform

Not really. As I said, we expect the closing within the next few months, and there have been no showstoppers so far. And the actual project timeline is intact and according to the plan. And yes.

Matti Lehmus *Neste Oyj* - President & CEO

On the second question, sorry, I didn't quite catch the question. Could you repeat what additional sales margin guidance you were looking for?

Katherine O'Sullivan *Citigroup Inc., Research Division* - Analyst

Yes. It was just really on the kind of spot environment really, of your renewable product sales margin and any kind of specific figures. But within relation to your guidance range that you've given for 3 quarters, is it trending towards which end of that guidance range at the moment?

Matti Lehmus *Neste Oyj* - President & CEO

In general, like I would just answer that we have, like you know also in the past, only given guidance for the following quarter. It's been extremely volatile like we have seen in the second quarter. And I think just like we discussed earlier, reflects our best view at the moment. And of course, we are just then also following it, how exactly the tightness in the feedstock markets is going to be reflected. We are following also general fuel demand development, macroeconomics, all of these things can, of course, then also have impacts also longer term. But for the very short term for the third quarter, I think it represents our best view what we gave.

Operator

The next question is from Zoe Clarke with Goldman Sachs.

Zoe Clarke *Goldman Sachs Group, Inc., Research Division* - Business Analyst

Congratulations on brilliant set of results. My question is more about the medium term, and I appreciate there may not be a very clear answer here. But clearly Neste is progressing with its expansion in South, and you've signed a couple of agreements and contracts on that front. Do you have any early visibility on how the margins of that business may evolve? Is it fair to assume it will be more margin accretive than your existing Renewable Products business on the diesel side, too early to tell, I don't know. Any color on that would be useful.

And the second thing related to that, we've clearly seen a lot of Sustainable Aviation Fuel capacity addition announcements from big oil refineries across the world. I think even that if you near-term targets are now looking too conservative or too easy to achieve. Any thoughts on how the competitive landscape evolves there?

Matti Lehmus *Neste Oyj* - President & CEO

Yes. Thank you for the question. And perhaps I can answer. In general, like you know, we have, at the moment, quite a limited volume of 100,000 tons of production capacity for soft, but we are very much looking forward to next year when we are then growing that volume by the end of the year according to our projects, both in Singapore expansion and in Rotterdam to 1.5 million tons. And we continue to see that just like in road transportation, also in aviation, there's a clear need for decarbonization solutions. We are, of course, internally working on making the supply chain once we have that larger capacity in place to be efficient. And therefore, we continue to expect that once we have a global supply chain, we have reached these larger volume levels that also from a margin perspective, this aviation fuel

would not be diluted, let's say, towards growth application. That is clearly our target.

If I then look at it more, the other part of the question from the competitive landscape, perhaps 2 comments on this one. So first of all, I think it's, again, very natural. It needed that there is also supply as there is clearly, if you look at 2030 or beyond, there's a clear ambition to grow the share of Sustainable Aviation Fuel in the kerosene pool, which is, of course, very large. And also from a supply security perspective, natural that it is important, there are a number of sources. Our approach to it is, of course, we continue to focus on our own efficiency of our global setup. And at the same time, it's an important part of our business concept that we have that flexibility. We have the optionality to switch between different products, which is also an important part of the concept. But we do remain -- if I look at the very long term, we do believe that the aviation fuel is a segment where the growth will continue also beyond 2030. And hence, we do see that's a segment where we also expect attractive margin levels.

Operator

Next question is from Jason Gabelman with Cowen.

Jason Daniel Gabelman Cowen and Company, LLC, Research Division - Director & Analyst

I just wanted to ask on the Rotterdam project. So you mentioned that you're investing more in pretreatment process a wider variety of feedstocks. Can you discuss if there are any new feedstocks that you're going to be processing at Rotterdam that you're not currently processing today?

And then the other question is just on the U.S. RIN pricing dynamics. You mentioned things have strengthened quite a bit. I think after the RBOs were released, the RIN prices actually weakened and then they kind of started to move higher a few days later. So I was wondering if you think it's related to that RBO release or if there's something else going on?

Matti Lehmus Neste Oyj - President & CEO

Yes. I can briefly take the first question. Carl will take the second one. In general, I refer to our general feedstock strategy, I mean, apart from the geographical expansion and the vertical integration we talked about earlier, the third pillar of our feedstock strategy is that we are continuously looking for new feedstock sources, lower qualities, challenging feedstocks, and we don't have any specifics at the moment. I think it's more about creating that capability and pushing, of course, to widen the window of different types of feedstocks that we can use. So hopefully, a topic then in the future, we can give more color on when we are at the point. But Carl, please, on the other one.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Yes. With regards to the RIN market. So indeed, as mentioned, the sentiment has been rather strong in the market with the higher RBOs being announced. However, as mentioned as well, the SME margins have looked rather healthy currently and considering the current soybean oil spread. We believe that there might be a bit of a low pressure as well on the RINs at current levels. But that remains -- that those SME margins remain a key element in driving RIN values going forward.

Operator

The last question is from Henry Tarr with Berenberg.

Henry Michael Tarr Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

A couple. One is just at the moment, do you have access to feedstock that you're not using in your operations today. So for example, in the U.S., et cetera. And if there is that access and presumably you're sort of selling that, are the sales of this feedstock profitable or material? And where is the profit recognized? That's the question. And then the second question would just be on diesel margins in the Oil Products business, as you look out to the end of this year and then into 2023. Europe is still seeing a lot of Russian diesel imports today, if they dry up with the embargo, does that create a tailwind for diesel margins, do you think, into 2023?

Matti Lehmus Neste Oyj - President & CEO

Thank you. Carl, please on the first.

Carl Nyberg Neste Oyj - EVP of Renewables Platform

Thank you for the excellent question. So we -- as part of our feedstock strategy, of course, we are seeking new feedstock sources, and we are identifying feedstock supply opportunities, which are beyond our current needs. And so we do have access to the feedstock streams, which we are currently not utilizing in our own production. And we are also partly optimizing through trading some of these volumes and those -- that remain rather small in the overall picture. And the result of that is part of our financial results in the renewables.

Matti Lehmus Neste Oyj - President & CEO

Markku, please on the longer-term diesel.

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

Diesel cracks going into 2023. So this is a complex situation. There's many drivers, some pushing higher, some lower. When I look at the cracks -- forward cracks for rest of this year and next year, it is in backwardation. So we expect a slight weakening from today's situation, let alone from the end of June when we were at 70%. The -- well, time will tell how much the embargo itself will impact the market. So basically, we look at for our own guidance, look at the futures, that's where we keep an eye on.

Matti Lehmus Neste Oyj - President & CEO

And perhaps, if I may add, at the same time, it's good to remember when talking about diesel, it's a global market. The macroeconomic outlook plays a huge role. And like you all know, there is a lot of question marks at the moment about the growth rate inflation. So I think that's also important to look at it. It's very much driven also about the macro development apart from this local development...

Markku Korvenranta Neste Oyj - EVP of Oil Products Business Unit

Indeed, a lot of macro economical impacts as well, one of those that sort of push it to one direction, while there's a couple of others push into another direction. So difficult to read.

Henry Michael Tarr Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Great. And if I may be cheeky, just one. In July then, the renewables -- and I'm sorry to ask you another question, but the renewable sales margin was within the guidance range for Q3. Is it fair to assume this?

Matti Lehmus Neste Oyj - President & CEO

Perhaps just stating we are actually not commenting on individual. The quarterly outlook is already in a very volatile market, difficult enough.

Operator

Mr. Kekäläinen, that was the last question. So I turn the conference back to you for the closing remarks.

Matti Lehmus Neste Oyj - President & CEO

Thank you. And this is Matti. So I would like to make some concluding remarks. Thank you, first of all, very good questions, active participation. And as we have discussed, the conditions in the energy market have been exceptional, and it's clear that the volatility will continue with both geopolitics, but also the decreased macroeconomic growth outlook affecting the development. I'm at the same time, confident that we will be able to navigate successfully also through upcoming challenges, and continue creating value for our customers, employees and shareholders. We will continue to be focused in systematically progressing our growth strategy in renewable and circular solutions to reach our ambitious targets. Thank you. Stay safe. Stay healthy.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over, and you may disconnect your telephones.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022 Refinitiv. All Rights Reserved.